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Subject: Angel investment credit modified and made permanent

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Overview

Makes the small business investment credit, "angel credit," permanent with an annual credit allocation of \$20 million. Under current law, the credit is scheduled to expire at the end of 2017; annual allocations of \$15 million were provided from 2014 to 2016 and \$10 million for 2017. The A4 amendment eliminates the current law reservation or "carve-out" of one-half of the credit allocation for greater Minnesota or minority- or women-owned businesses. Effective tax year 2018.

Section

- 1 **Definitions.** Strikes definitions related to reserving one-half of credits for greater Minnesota and minority- or women-owned businesses; section 3 eliminates the credit reservation or "carve-out"
- 2 **Certification of small businesses.** Strikes the authority to certify a business as a qualified greater Minnesota business. Under current law, one-half of credits are reserved for investments in qualified greater Minnesota or minority- or women-owned businesses. Section 3 eliminates the credit reservation or "carve-out".
- 3 **Small business investment.** Makes the angel credit a permanent feature of state law, with the annual funding of \$20 million. Eliminates the reservation of half of the credit amount for investments in greater Minnesota or minority- or women-owned businesses.
Background. The angel investment credit provides qualified investors in certified small businesses with a refundable income tax credit equal to 25 percent of their investments up to a maximum of \$125,000 (\$250,000 for married joint filers). The credit took effect for tax year 2010 and under current law sunsets after tax year 2017. Funding for the credit in 2017 is

set at \$10 million, with half reserved for investments in greater Minnesota or minority- or women-owned businesses through September 30, after which any remaining funds are available for any qualifying investment.

- 4 **Annual reports.** Strikes elements of the annual report related to investments in qualified greater Minnesota businesses; section 3 eliminates the reservation of half of the credit amount for investments in greater Minnesota or minority- or women-owned businesses.
- 5 **Repealer.** Repeals the credit sunset (subdivision 12) and the direction to the commissioner to promote the credit in greater Minnesota and to minority- and women-owned businesses in order to maximize use of the reserved credit amount (subdivision 5a). Section 3 eliminates the reservation of half of the credit amount for investments in greater Minnesota or minority- or women-owned businesses.